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ATTACHMENT A

**DECLARATION OF STEPHANIE PENDOLINO
ON BEHALF OF TIME WARNER TELECOM INC.**

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**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
)	
Petitions of Qwest Corporation for Forbearance)	WC Docket No. 07-97
Pursuant to 47 U.S.C. § 160(c) in the Denver,)	
Minneapolis-St. Paul, Phoenix, and Seattle)	
Metropolitan Statistical Areas)	

**DECLARATION OF STEPHANIE PENDOLINO
ON BEHALF OF TIME WARNER TELECOM INC.**

1. I am Director of Business Intelligence Reporting & Analytics for Time Warner Telecom Inc ("TWTC"). I have been employed by TWTC since January 2001 and have worked in the telecommunications industry since 1994. The majority of my time at Time Warner Telecom has been spent performing market development and opportunity analysis, business development, and general business analysis. I graduated from the University of Washington in 1994 with a Bachelor's Degree in Business Administration.

2. The purpose of this Declaration is to describe: (I) the extent to which TWTC has or could viably construct its own transmission facilities to commercial buildings in the four MSAs in which Qwest has requested forbearance (Denver, Phoenix, Seattle, and Minneapolis) and (II) explain why TWTC and other competitors must rely on ILEC loops and why such reliance will increase in the foreseeable future.

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I. There Are Few Locations To Which TWTC Has Constructed Transmission Facilities Or Could Construct Transmission Facilities In The Denver, Phoenix, Seattle, and Minneapolis MSAs

3. TWTC builds its own loop and transport facilities whenever it is efficient and cost-effective to do so. In fact, TWTC is likely deploying these facilities at a faster rate than any other non-ILEC in the country. Unfortunately, for a number of reasons discussed herein, there are many locations where TWTC cannot economically construct its own loop facilities.

4. TWTC generally builds its local network in the parts of metropolitan areas containing the largest enterprise customers using fiber SONET ring transport facilities. TWTC constructs SONET rings to very large commercial buildings as part of the original construction of its local transport network in a metropolitan area. In the majority of cases, however, TWTC must build a stand-alone fiber lateral (*i.e.*, loop) facility to a building containing a business customer it seeks to serve on its own network after the customer has agreed to purchase service from TWTC.

5. In assessing whether it is cost-effective to deploy its own loop facilities, TWTC determines whether the revenue opportunity associated with a given building or a given customer is large enough to justify construction. To justify construction, the potential revenue must be sufficient to cover the total cost of construction and recurring expenses and simultaneously achieve a reasonable rate of return on investment. Costs vary based on the distance between TWTC's transport network and the customer location (the longer the lateral facility, the greater the deployment cost), costs associated with obtaining access to poles, ducts, conduits, rights-of-way and commercial buildings, the type of services provided (electronics for higher capacity services generally cost more than electronics for lower capacity services) and the customer's willingness to enter into a longer-term contract. After considering these factors, TWTC is generally able to deploy loop facilities only to those buildings for which customers individually

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or collectively demand multiple DS3s of service. A small minority of customer locations meets this revenue requirement. As a result, on a national basis, legacy TWTC (excluding recently acquired Xspedius) served only 27 percent of its customer locations entirely on its own network as of September 2006. As of the end of the second quarter of 2007, TWTC has been able to deploy its own loop facilities to only [proprietary begin] [proprietary end] of its customer locations in Seattle, [proprietary begin] [proprietary end] of its customer locations in Minneapolis (a market in which TWTC serves comparatively few customer locations), [proprietary begin] [proprietary end] of its customer locations in Denver, and [proprietary begin] [proprietary end] of its customer locations in Phoenix. Moreover, TWTC has only deployed loop facilities to a tiny fraction of the total commercial buildings in these cities. Based on aggregate numbers of commercial buildings with two or more DS1s of bandwidth demand in the four MSAs obtained from GeoResults, TWTC has determined that, as of June 30, 2007, TWTC had constructed loops to only [proprietary begin] [proprietary end] of the commercial buildings in the Denver MSA, [proprietary begin] [proprietary end] of the commercial buildings in the Minneapolis MSA, [proprietary begin] [proprietary end] of the commercial buildings in the Phoenix MSA, and [proprietary begin] [proprietary end] of the commercial buildings in the Seattle MSA.

6. In addition, TWTC recently conducted a build-buy analysis, taking into account the aforementioned factors, for the four Qwest MSAs at issue in order to identify the buildings in those areas to which TWTC could potentially deploy loop facilities in the future. In conducting the build-buy analysis, we made two basic assumptions. First, we assumed that TWTC must earn an approximate monthly recurring revenue (“MRR”) per building of [proprietary begin]

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[proprietary end] to justify construction of loop facilities under the best of conditions. This amount is the approximate MRR required to reach the target on-net building internal rate of return (“IRR”) of [proprietary begin]

[proprietary end] that TWTC uses in the marketplace. This assumption includes an estimated average cost of [proprietary begin] [proprietary end] including electronics, to deploy a loop facility to a customer location in a Tier 1 MSA (all four MSAs at issue are Tier 1 MSAs). Hypothetically, the [proprietary begin] [proprietary end] revenue threshold can be met in any number of ways using a combination of customer sizes and services. For example, a small business customer purchasing VersiPak, TWTC’s integrated voice and data T1 product, spends an average of [proprietary begin] [proprietary end] per month with TWTC. Assuming that the customer signs a two-year contract, TWTC would need to provide services to ten other like customers in a building in order to procure a total MRR of [proprietary begin] [proprietary end]. In another example, a large business customer purchasing TWTC’s Metro Ethernet solution spends an average of [proprietary begin] [proprietary end] per month with TWTC. Assuming that the customer commits to a three-year agreement and the customer has two locations (making TWTC’s cost to build [proprietary begin] [proprietary end] TWTC would need to serve an additional like customer in one of the two buildings in order to come close to meeting the [proprietary begin] [proprietary end] revenue threshold. Practically speaking however, we require a firm commitment from one or several customers to justify the build and will not undertake a build until that commitment is secured. Thus in the majority of build scenarios there must be at least one larger business customer who has committed to a level of service that can meet our minimum MRR threshold to justify a build.

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7. Second, TWTC assumed that it can win **[proprietary begin]**
[proprietary end] of the revenue opportunity in a commercial building. This is an aggressive assumption, since TWTC by no means achieves this level of penetration in every building.

8. Using these assumptions, TWTC estimated that it might be able to construct loop facilities to buildings with **[proprietary begin]**

[proprietary end] per month in estimated telecommunications spending. TWTC then relied on GeoResults data estimating the revenue spend in the commercial buildings with two DS1s of demand or more in the four MSAs in question to determine the percentage of such buildings to which TWTC has not constructed its own loops (“non-TWTC buildings”) but to which it *might* be able to do so in the future. Based on this analysis, TWTC determined that it might be able to build to only **[proprietary begin]**

[proprietary end] of the non-TWTC buildings in the Denver MSA, **[proprietary begin]**

[proprietary end] of the non-TWTC buildings in Minneapolis,
[proprietary begin] **[proprietary end]** of the non-TWTC
buildings in Phoenix, and **[proprietary begin]** **[proprietary**

end] of the non-TWTC buildings in Seattle. The total number of such buildings to which TWTC has built or (assuming that barriers to entry are overcome) could theoretically build loops in each market is summarized in Table 3 below:

[proprietary begin]

[proprietary end]

9. It should be noted that this build-buy analysis does not account for the fact, as explained, that TWTC generally cannot begin building its own loops unless and until potential customers in a given building in fact commit to purchasing the high revenue services that justify loop construction. This is why, even in these four markets where TWTC has built its own facilities, there remain numerous potential customers in buildings to which TWTC could theoretically, but cannot practically, afford to build loop facilities.

II. TWTC And Other Competitive Carriers Rely Extensively On ILEC Transmission Facilities And Such Reliance Is Only Likely To Increase

10. In my experience, for those locations where TWTC cannot deploy its own loop facilities, it has no other choice but to rely on the ILEC's—in this case, Qwest's—loop facilities to reach its customers. This is because Qwest usually owns the only loop facility serving locations to which TWTC cannot efficiently deploy its own facilities.

11. TWTC's and other competitors' reliance on ILEC inputs to serve a very large number of customer locations is only likely to increase in the foreseeable future. This is because customers are increasingly demanding that carriers serve most or all of their locations. Thus,

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whereas a ten-location customer might previously have required that TWTC serve only its two largest locations, it is more likely today to demand that TWTC serve all ten of its locations.

While TWTC might have been able to construct loops to the two largest locations that generate the most revenue, it is unlikely to be able to construct loops to the smaller locations, which can generate well under \$1000 per month in revenue. To reach those locations, TWTC is dependent on Qwest loops. If TWTC cannot obtain access to Qwest's loop facilities on reasonable terms and conditions, it cannot profitably serve all of the customer's ten locations, even if it had been economically feasible to construct loops to the larger locations. In other words, in order to justify constructing loops to multiple customer locations, it is more and more important that TWTC be able to purchase loops from Qwest on reasonable terms and conditions.

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I declare under penalty of perjury that the foregoing is true and correct.

Stephanie Pendolino
Stephanie Pendolino

Dated: August 30, 2007

ATTACHMENT B

**DECLARATION OF DAVID A. KUNDE
ON BEHALF OF ESCHELON TELECOM, INC.**

REDACTED - FOR PUBLIC INSPECTION

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
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Petitions of Qwest Corporation for Forbearance)	WC Docket No. 07-97
Pursuant to 47 U.S.C. § 160(c) in the Denver,)	
Minneapolis-St. Paul, Phoenix, and Seattle)	
Metropolitan Statistical Areas)	

**DECLARATION OF DAVID A. KUNDE
ON BEHALF OF ESCHELON TELECOM, INC.**

1. I am the Executive Vice President of Network Operations and Engineering for Eschelon Telecom, Inc (“Eschelon”) and have been employed by Eschelon since 1999. From 1994 until joining Eschelon in May 1999, I held the positions of Vice President of Network Engineering and Director of Network Engineering and Operations at Citizens Communications. From 1986 to 1994, I held a variety of positions with Rochester Telephone. I have a BA in Physics and Math from Wittenberg University in Springfield, Ohio and an MBA from the University of Rochester's William E. Simon Graduate School.

2. Eschelon is a leading facilities-based provider of integrated voice and data communications services to small and medium-sized businesses in nine states across the western United States. Eschelon operates in each of the metropolitan statistical areas (“MSAs”) that are the subject of Qwest’s forbearance request—Denver, Minneapolis-St. Paul, Phoenix, and Seattle.

3. Eschelon commenced business in 1996 as a reseller; however, the company migrated to a facilities-based model and has installed and operates 6 voice switches and has approximately 90 collocations in the four MSAs at issue. While it deploys its own switches and collocations, Eschelon is not able to self-provision loop facilities. Rather, the company leases

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loop and transport facilities from wholesale providers, usually as unbundled network elements (“UNEs”) from incumbent LECs.

4. The purpose of my declaration is to: (I) describe the extent to which non-ILEC wholesalers offer loop and transport facilities in the four MSAs that are the subject of Qwest’s forbearance request; and (II) describe the extent to which Eschelon has faced intermodal competition from cable companies.

I. Non-ILEC Wholesale Providers Of Loop and Transport Facilities in the Denver, Minneapolis, Phoenix, and Seattle MSAs Are Extremely Limited

5. Eschelon would prefer to build, own and operate all of the facilities involved in serving its customers, to the extent possible. However, it is not economically feasible for Eschelon to self-deploy its own loop and transport facilities. This is especially true with regard to loops, because the majority of small and medium enterprise (“SME”) customers that Eschelon serves do not generate sufficient revenue or commit to long enough contracts to justify construction of loop facilities. Nor is it economically feasible for Eschelon to deploy transport along routes where traffic volumes are relatively low, *e.g.*, less than three DS3s of capacity. Moreover, even if it were theoretically rational to construct loop or transport facilities, there are numerous obstacles associated with large-scale loop or transport self-deployment, including lack of space in existing conduits and municipalities’ increasing unwillingness to permit access to public rights-of-way already overburdened by other utilities. These real word obstacles often prevent deployment of loop or transport facilities in locations that might theoretically support such construction.

6. Where possible, Eschelon would prefer to purchase loop and transport facilities from non-ILEC wholesale providers. Unfortunately, the marketplace reality is that few such alternatives exist. Eschelon’s experience is that there are virtually no wholesale providers of

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DS1 or DS3 loops in the locations in which Eschelon offers service in the four MSAs in which Qwest has requested forbearance. Moreover, many Eschelon collocations cannot be served by a non-ILEC wholesale transport provider. The problem is especially acute in Phoenix and Denver. In the Phoenix MSA, Eschelon is collocated in [proprietary begin] [proprietary end] central offices but Eschelon has not been able to identify a single non-ILEC wholesale transport provider [proprietary begin] [proprietary end] of those central offices. Similarly, in the Denver MSA, Eschelon has not been able to identify a single non-ILEC wholesale provider of transport in [proprietary begin] [proprietary end] central offices in which Eschelon is collocated. The Phoenix and Denver central offices in which there are no providers of wholesale transport other than Qwest are listed in Exhibit 1 to this declaration.

II. Eschelon Faces Virtually No Intermodal Competition From Cable Or Wireless Providers

7. In my experience, intermodal alternate providers are not viable competitors to Eschelon and other competitive local exchange carriers ("CLECs"). Cable plant typically passes residences, not businesses. In addition, cable operators cannot provide all of the services that Eschelon offers to small and medium-sized businesses. As a result, Eschelon's SME customers do not view cable providers as viable alternatives to Eschelon. In fact, from the first quarter of 2004 through the end of the second quarter of 2007, Eschelon lost a total of [proprietary begin] [proprietary end] in the entire state of Colorado to Comcast. This figure translates to an average cable churn (the number of circuit losses to cable divided by the estimated number of circuits in the state during the relevant quarter) of [proprietary begin] [proprietary end] for each quarter for the past ten quarters. Likewise, Eschelon lost a total of [proprietary begin] [proprietary end]

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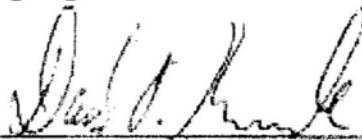
end] in Washington to Comcast during the same period. The average quarterly cable churn during the period was **[proprietary begin]**

[proprietary end] in Washington. In Arizona, Eschelon lost a total of **[proprietary begin]**

[proprietary end] to cable provider Cox from the first quarter of 2004 through the second quarter of 2007. Even in Arizona, however, Eschelon's cable churn rate for the second quarter of 2007 was **[proprietary begin]** **[proprietary end]** and the average quarterly cable churn over the ten-quarter period was only **[proprietary begin]**
[proprietary end]

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I declare under penalty of perjury that the foregoing is true and correct.



David A. Kunde

Dated: August 31, 2007

[Proprietary Begin]

Declaration of David A. Kunde
Exhibit 1

[Proprietary End]

[Proprietary Begin]

Declaration of David A. Kunde
Exhibit 2

1
2
3
4
5

[Proprietary End]

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ATTACHMENT C

**DECLARATION OF RICHARD J. BATELAAN
ON BEHALF OF CBeyond, INC.**

REDACTED - FOR PUBLIC INSPECTION

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
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Petitions of Qwest Corporation for Forbearance)	WC Docket No. 07-97
Pursuant to 47 U.S.C. § 160(c) in the Denver,)	
Minneapolis-St. Paul, Phoenix, and Seattle)	
Metropolitan Statistical Areas)	

**DECLARATION OF RICHARD J. BATELAAN
ON BEHALF OF CBeyond, INC.**

1. I am the Chief Operating Officer for Cbeyond, Inc. ("Cbeyond"). I have more than twenty years of experience in the telecommunications industry and have been employed by Cbeyond since 2001. I manage Cbeyond's operating units including customer care, field operations, systems operations, network operations, network planning, provisioning, service activation and ILEC relations. Before joining Cbeyond in 2001, I was cofounder and chief operations officer of BroadRiver Communications, a provider of Voice Over IP (VOIP), Internet access and VPN services. Prior to BroadRiver, I spent 12 years with BellSouth, a regional ILEC based in Atlanta which has since been purchased by AT&T. I held various roles at BellSouth including engineer, director of technical support for BellSouth Business Systems, director of operations for BellSouth Business System's data customer support center and various positions at BellSouth's data division, BellSouth.net, including director of network operations, director of engineering, vice president of operations, and chief operations officer. I hold

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a bachelor's degree in electrical engineering from Georgia Institute of Technology and a master's degree in information networking from Carnegie-Mellon University.

2. The purpose of this declaration is to discuss the extent to which Cbeyond faces intermodal competition from cable operators and wireless carriers in the provision of DS1-based services.

3. Cbeyond is a facilities-based competitive local exchange carrier ("CLEC") serving small and medium enterprise ("SME") customers. Cbeyond's business customers range in size from six to 200 employees generally using between six and 48 phone lines. Cbeyond provides service in the following metropolitan areas: Atlanta, Chicago, Dallas, Denver, Houston, Los Angeles, San Diego and Detroit. Cbeyond's customers receive an integrated package of local and long distance voice services, broadband Internet access services and various managed services such as email, voicemail, web hosting, fax-to-email, conference calling and similar services. Cbeyond's services are delivered exclusively over DS-1 circuits; larger customers may have up to three DS-1s installed.

4. Cbeyond relies entirely upon incumbent local exchange carrier ("ILEC") DS-1 unbundled loops or enhanced extended links ("EELs") to serve its customers in a cost-effective manner. It is not economically rational for Cbeyond to self-provision DS-1 loops because the revenue opportunities associated with serving the vast majority of SME customers are insufficient to cover the cost of loop construction.

5. Cbeyond faces competition from both ILECs and other facilities-based CLECs that rely on ILECs for UNEs to provide voice and data service services for SMEs. In my experience, however, Cbeyond faces little, if any, facilities-based competition, from cable operators or wireless companies. Cable companies, for example, have not

successfully targeted the small and medium business customers that Cbeyond serves. Cbeyond offers a small-office, home-office (SOHO) product for those who subscribe to our business services, but even in this space—as illustrated by the tables below—cable competitors in Denver have managed to capture less than [proprietary begin] [proprietary end] of Cbeyond's SOHO customers in any given month. SOHO customers usually demand less sophisticated services than Small-Medium Enterprise (SME) customers. For example, SME customers often demand hunt groups, account codes, self-service capabilities, unified messaging and the ability to interface with any key system or PBX whether analog, digital or PRI. SOHO customers do not usually demand these features. Moreover, the cable companies' service offerings are better suited to the needs of SOHO customers than to the needs of SME customers. The tables below reflect these differences. Cable (and wireless) competitors have captured a small number of SOHO customers from Cbeyond, but cable (and wireless) competitors have captured even fewer SME customers from Cbeyond, an astonishing [proprietary begin] [proprietary end] times fewer, in fact.

6. Cbeyond has calculated the number of customers it has lost to cable companies and wireless carriers in recent months in Denver, the only metropolitan statistical area ("MSA") of the four MSAs that are the subject of Qwest's forbearance request, in which Cbeyond offers service. From January to May 2007, Cbeyond lost a total of [proprietary begin] [proprietary end] SME customers and [proprietary begin] [proprietary end] SOHO customers in Denver to cable providers, and [proprietary begin] [proprietary end] to wireless providers. The average monthly cable churn rate for SME customers during this five-month period was

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[proprietary begin] [proprietary end], for SOHO customers is was
[proprietary begin] [proprietary end] and the average monthly wireless
churn rate was [proprietary begin] [proprietary end]. Cbeyond's recent
customer losses to intermodal competitors are summarized in the following tables:
[proprietary begin]

[proprietary end]

7. These figures confirm my experience that Cbeyond faces essentially no
intermodal competition in the provision of service to small and medium businesses.

I declare under penalty of perjury that the foregoing is true and correct.



[Declarant]

Dated: August 31, 2007

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ATTACHMENT D

**DECLARATION OF WILLIAM D. MARKERT
ON BEHALF OF ESCHELON TELECOM, INC.**

REDACTED - FOR PUBLIC INSPECTION

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
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Petitions of Qwest Corporation for Forbearance)	WC Docket No. 07-97
Pursuant to 47 U.S.C. § 160(c) in the Denver,)	
Minneapolis-St. Paul, Phoenix, and Seattle)	
Metropolitan Statistical Areas)	

**DECLARATION OF WILLIAM D. MARKERT
ON BEHALF OF ESCHELON TELECOM, INC.**

1. I am Executive Vice President of Network Financial Management for Eschelon Telecom, Inc. ("Eschelon"). I began my employment with Eschelon in December 1999 as Director – Cost of Access. Prior to joining the company, I served in various financial, regulatory and management positions with Frontier Corporation. I have a BA degree in Business Administration from the University of Wisconsin – Whitewater and an MBA from the University of St. Thomas.

2. Eschelon is a leading facilities-based provider of integrated voice and data communications services to small and medium-sized businesses in nine states across the western United States. Eschelon operates in each of the metropolitan statistical areas ("MSAs") for which Qwest seeks forbearance—Denver, Minneapolis-St. Paul, Phoenix, and Seattle. In these MSAs, Eschelon has installed and operates six voice switches and has approximately 90 collocations. Because of the prohibitive cost of self-provisioning loop and interoffice transport facilities, the company leases DS0, DS1 and DS3 loops, DS1 enhanced extended loops ("EELs") and in many cases DS3 interoffice transport facilities from Qwest.

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3. The purpose of my declaration is to demonstrate the likely financial impact of the elimination of unbundled network elements (“UNEs”) on Eschelon’s business in the four MSAs that are the subject of Qwest’s forbearance request. For this purpose, Eschelon recently conducted separate studies of the costs it incurs to provide services via DS1 EELs, stand-alone DS1 loops and DS0 loops in the four MSAs in which Qwest seeks forbearance and the changes to its gross, EBITDA, and operating margins in the event that forbearance from unbundling requirements were granted in these MSAs.

4. The DS1 EELs study is based on the cost-based UNE price for a six-mile EEL in each density zone (which helps determine pricing based on a customer’s location within an MSA) in the four relevant MSAs. Given that Eschelon would have no alternative but to purchase special access services from Qwest if DS1 loops and DS1 EEL transport UNEs were eliminated, the study assumes that the cost of a DS1 EEL (with an assumed mileage of six miles) will increase to the relevant Qwest special access price for this service, which is \$283.14, plus \$34.44 for the Expanded Interconnection Channel Termination (“EICT”), for a total monthly special access charge of \$317.58, as established in Qwest Tariff FCC No. 1. This rate includes the 22 percent discount off of the monthly special access rate that would be available to Eschelon under Qwest’s Regional Commitment Plan (“RCP”) if Eschelon were to purchase the requisite volume of DS1 EELs from Qwest as special access.¹ In each of the five zones in the four MSAs, paying the special access price instead of the UNE EEL price would result in per circuit monthly recurring cost increases ranging from **[proprietary begin]** **[proprietary end]** in Zone 4

¹ See Qwest Corp. Tariff FCC No. 1 §§ 17.2.11.A.1 (4th revised page 17-91) (effective Aug. 19, 2006) & 17.2.11.C.1.a (1st revised page 17-98.1) (effective Aug. 31, 2004). The Qwest special access price of \$317.58 is comprised of the \$175.00 average tariff price of the zone 1, 2, and 3 tariff prices for a DS1 channel termination, a fixed mileage charge of \$92.00, a total variable mileage charge (for six miles) of \$96.00, a total EICT cost of \$34.44, and a discount of 22 percent under Qwest’s RCP.

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in Minnesota up to [proprietary begin] [proprietary end] in Zone 1 in Denver. The DS1 EEL cost increases in each MSA are summarized in the following table:

[proprietary begin]

[proprietary end]

5. In order to calculate the effect of these price increases on Eschelon's operating margins in the provision of DS1 EEL-based retail services, we allocated to those services a proportionate share of joint and common monthly recurring expenses that Eschelon incurs such as charges associated with collocation, interconnection trunking, transit, and SS7 charges. We performed this allocation using the same methodology Eschelon uses to determine whether its retail prices cover its joint and common costs in a market. When these costs are accounted for, the total monthly special access cost of a DS1 EEL in each zone is [proprietary begin] [proprietary end]. In addition, we allocated to Eschelon's costs the Company's sales, general, and administrative ("SGA") expenses, which amount to [proprietary begin] [proprietary end] of Eschelon's revenue and its capital expenditures, which comprise [proprietary begin] [proprietary end] of Eschelon's revenue. Finally, we assumed that Eschelon would continue to charge its current price for DS1 EEL-based retail service, which is [proprietary begin] [proprietary end] throughout the Qwest region.

6. Using this analysis, Eschelon's operating cash flow margin across all zones in each MSA at issue would be [proprietary begin] [proprietary end]. The

details of this analysis are attached hereto as Exhibit 1. Specifically, if UNEs were eliminated, Eschelon's operating cash flow margin for each DS1-EEL-based circuit offered at retail would be as follows:

[proprietary begin]

[proprietary end]

If Eschelon's operating cash flow margins for DS1 EELs were approximately **[proprietary begin]** **[proprietary end]** in each zone of the four MSAs at issue, financial institutions would not extend credit to Eschelon nor would potential investors invest in the company. Consequently, Eschelon would be forced to exit the market for DS1-EEL based services in these four MSAs.

7. It is also important to point out that Qwest might try to increase its special access prices above current levels (as it has in the past). In fact, without the constraining effect of the availability of unbundled network elements, it is entirely possible that Qwest would do so. Moreover, in addition to increasing the costs of wholesale inputs, Qwest could decrease its retail prices. Indeed, Qwest has already offered a promotional retail rate of \$461.00 for a DS1 EEL.² Qwest may also offer, on an individual case basis ("ICB"), lower retail prices for intrastate tariffed services in order to respond any competitor's price.³ Qwest's past practices

² See Product Notification from Qwest Corp. to CLECs, Resellers, and ISPs of "PRS and DSS Autumn's Colorful Offer" (dated June 29, 2007) (offering promotional pricing of \$461 on Advanced Digital Switched Service on three-year contracts from August 13, 2007 to November 9, 2007) (attached hereto as Exhibit 2).

³ See Qwest Corp., Large Business Products & Services, Data Solutions, DS-1, www.qwest.com/pcat/large_business/product/1,1016,140_4_2,00.html (last visited Aug. 29, 2007) ("Qwest DS-1 is filed and priced in both the interstate and the intrastate tariffs. . . . In competitive situations, intrastate DS-1 service may be priced on an Individual Case Basis.").

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demonstrates the very real possibility that it would impose a price squeeze on Eschelon if UNEs were eliminated. A price squeeze would render Eschelon unable to make a profit, thereby forcing it to withdraw from the DS1-based services market.

8. Moreover, these concerns are not limited to DS1-EEL-based services. Eschelon conducted similar cost studies for DS0 and DS1 loops. In the DS0 loop cost study, we assumed that, post forbearance, Eschelon would be required to pay the “commercial” rate offered by Qwest for DS0 loops in the Omaha MSA after it received forbearance from unbundling obligations in certain wire centers in Omaha. That price is \$15.71 per month per DS0 loop.⁴ The DS0 loop cost increases in each MSA are summarized in the following table:

[proprietary begin]

[proprietary end]

We applied all of the same cost allocations and made the same assumptions as in the DS1 EEL study. As in the DS1 EELs study, the DS0 loop study revealed that operating cash flow margins for DS0 loops would be **[proprietary begin]** **[proprietary end]** if UNE DS0 loops were unavailable in the four relevant markets, indicating that Eschelon would likely be price

⁴ See Petition for Modification of McLeodUSA Telecommunications Services, Inc., WC Dkt. No. 04-223, Declaration of Don Eben, Exhibit 3, Appendix 4 - Qwest Commercial DS0 Agreement at 69-70 (listing monthly two-wire DS0 loop rate as \$15.71) (filed July 23, 2007).

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squeezed out of the market for DS0-based services. These results are summarized in the following table:

[proprietary begin]

[proprietary end]

Finally, in conducting the study for stand-alone DS1-loop based services, we again used the same methodology. The stand-alone DS1 loop cost increases in each of the four relevant MSAs are summarized in the following table:

[proprietary begin]

[proprietary end]

We concluded that Eschelon's cash flow margins for DS1 loop-based services without the availability of stand-alone DS1 UNE loops are only **[proprietary begin]**

[proprietary end]. However, as demonstrated below, the margins across all zones in each MSA are **[proprietary begin]**

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[proprietary end]

Only a slight increase in special access prices or reduction in Qwest retail prices would

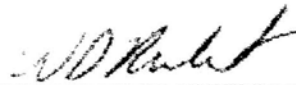
[proprietary begin]

[proprietary end] for these services as

well.

REDACTED - FOR PUBLIC INSPECTION

I declare under penalty of perjury that the foregoing is true and correct.



William D. Markert

Dated: August 31, 2007

[Proprietary Begin]

Declaration of William D. Markert
Exhibit 1, Page 1

[Proprietary end]

[Proprietary begin]

[Proprietary end]

EXHIBIT 1
TO
ATTACHMENT D
DECLARATION OF WILLIAM D. MARKERT
ON BEHALF OF ESCHELON TELECOM, INC.



Announcement Date:	June 29, 2007
Effective Date:	August 13, 2007
Document Number:	PROD.06.29.07.B.002829.PRS_DSS_Promo
Notification Category:	Product Notification
Target Audience:	CLECS, Reseller and ISP-GET – 14 State Region
Subject:	Promo - PRS And DSS Autumn's Colorful Offer

This is to advise you of changes to a Qwest retail service offering. Please be advised that retail offers that are subject to Commission approval may change. Resellers should monitor filings since Qwest will not provide notification of changes.

Tariff/catalog/price list reference:

Malheur - Exchange and Network Services Catalog, Section 16
Minnesota – Exchange and Network Services Price List and Tariff, Section 16 (DSS only)
Nebraska – Exchange and Network Services Catalog, Section 16
Oregon – Exchange and Network Services Tariff, Section 16
Washington – Exchange and Network Services Price List and Tariff, Section 16

State(s): 14 State Region

Description: For a limited 89 day period beginning August 13, 2007 and ending on November 9, 2007, Qwest is offering a special per span promotional price of \$665 on Primary Rate ISDN Service, \$461 on Advanced Digital Switched Service and \$671 on Basic Digital Switched Service on three (3) year contracts **or** \$565 on Primary Rate ISDN Service, \$431 on Advanced Digital Switched Service and \$629 on Basic Digital Switched Service on five (5) year contracts for customers seeking to:

- New installation of PRS/DSS Service
- Renew expired contracts to 3 or 5 year contract terms
- Renegotiate current PRS/DSS contracts only if they are within 6 months of expiration
- Convert month-to-month pricing to 3 or 5 year contract terms
- Migrate PBX Trunks, DSS or UAS services to a PRS 3 or 5 year contract (**no Migration credits**)
- Migrate PBX Trunks or UAS services to a DSS 3 or 5 year contract (**no Migration credits**)
- Welcome customers back to Qwest PRS/DSS 3 or 5 year contracts. **Customers may receive 1 month winback credit for a 36 month contract and 2 months winback credits for a 60 month contract on their PRS or DSS service.**
- For the PRS service, this offer is only available to customers served by a host switch with PRS capabilities. Customers served by remote central offices are not eligible for this promotion.

- Service must be installed and customer must accept billing prior to February 1, 2008, unless a facility delay is caused by Qwest.
- Installation charges will be waived
- Contracts need to be signed no later than close of business November 9, 2007
- **Dates of promotion**
08-13-07 thru 11-9-07

The same pricing, terms and conditions are available in Minnesota as a Customer Incentive.

If you have any questions or would like to discuss this notice please contact your Qwest Sales Manager. Qwest appreciates your business and we look forward to our continued relationship.

Sincerely,

Qwest Corporation

If you would like to unsubscribe to mailouts please go to the "Subscribe/Unsubscribe" web site and follow the unsubscribe instructions. The site is located at:

<http://www.qwest.com/wholesale/notices/cnla/maillist.html>